

Information on Issuing General Obligation Bonds

- The last issuance of General Obligation (GO) bonds by the State of Alaska was in 1983 and the last payment on those bonds was made on October 1, 1999.
- In a period of fiscal austerity and limited capital budgets, GO bonds offer a means of financing much needed infrastructure projects by spreading the costs over the useful life of the facilities.
- Interest rates today on GO bonds are at or near post-World War II historical lows. Anticipated interest rates for the state general fund supported share of the transportation and education propositions on the November ballot will be less than 4.5% compared to the 7.47% interest rate paid on GO bonds issued in 1983.
- Alaska's current debt burden is much less than most other states. According to *Moody's Investor Service*, Alaska now ranks 48th among states in net tax supported debt per capita as well as debt as a percentage of personal income. ("2002 State Debt Medians," *Moody's Global Credit Research*, May 2002.)
- Passage of education GO bonds would allow significant progress to be made on the \$641 million school construction and major maintenance backlog; upgrade science facilities at the University of Alaska to attract and retain more students; and build an addition to the Anchorage Museum of History and Art to house science exhibits and activities and the Arctic Studies Center.
- Passage of transportation GO bonds would improve roads and highways across the state and largely complete the upgrade and transfer of ownership of state-owned harbors to local municipalities.

Projected Annual Debt Service on GO Bonds

- Annual debt service payments on \$236.8 million education related GO bonds issued for a 20 year term are expected to be \$18.4 million (state general funds).
- Passage of the GO bond for education, university and museum facilities would also trigger reauthorization of the school debt reimbursement program which would result in an obligation for the state to pay additional debt service on municipally issued school bonds approved by local voters before January 1, 2005. The annual debt service amount would depend on how much is authorized by local voters.
- Annual debt service payments on the \$102.8 million GARVEE portion of transportation bonds serviced with federal highway funds is projected at \$12.5 million for 10 years (less than 5% of annual federal highway funding). The state match requirement for federally funded projects would come from investment earnings on GARVEE bond proceeds.
- Debt service payments on the \$123.9 million state general fund portion of the transportation bond are projected at \$11.9 million per year for 15 years.